



State Capitol | Lansing, Michigan 48913

PH (517) 373.2420 | FAX (517) 373.2764

www.senate.michigan.gov/gop/senator/garcia/

For Immediate Release
December 18, 2003

Contact: Karen Szczepanski
517-373-2420

***** REVISED *****

State budget compromise reached

Lansing – Sen. Valde Garcia (R-Howell) today announced a compromise to solve Michigan's \$920 million budget deficit that guarantees an income-tax cut in 2004 while providing additional revenue to soften cuts to public schools, higher education and local governments.

The agreement also includes an incentive for small businesses to provide greater healthcare benefits to their employees by reducing an onerous tax burden by 50 percent by January 2007.

"The agreement is a fair compromise that shows give and take by the Senate, the House and the governor," Garcia said. "Despite facing a significant budget shortfall, I am glad we were able to work together to deal with the deficit without eliminating 4-H programs and minimizing the impact on schools, while providing employers with the ability to provide healthcare coverage for their employees."

Garcia said the Senate, the House of Representatives and the Governor's Office each compromised to reach the deal, which also includes an additional \$12 million in administrative cuts for state government that were not in the initial plan.

The cuts to K-12, higher education and revenue sharing were reduced from the governor's original proposal because of Senate leadership's insistence on how money from pausing the income-tax rollback for six months be spent. Under the Senate's proposal, the roughly \$77 million raised by pausing the rollback will be divided among schools, universities and local governments.

(More)

Schools now face a reduction of approximately \$96 per pupil, down significantly from the \$196 per pupil proposed by the governor. The deal also reduces cuts in revenue sharing to 5 percent while university funding drops as little as 2 percent if tuition increases are kept in check.

Under the deal, small businesses in Michigan will see relief from the taxes they pay on healthcare benefits. Taxes paid by employers on healthcare benefits will be reduced a total of 50 percent by January 2007, starting with a 5-percent reduction in January 2004. The tax cut will open the door for greater healthcare benefits for working families.

“It is our responsibility to trim the state’s budget while ensuring critical services remain intact,” Garcia said. “I believe this solution does just that.”

###